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UNCLAS SECTION 01 OF 02 KINSHASA 000194

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SUBJECT: Chinese Engagement in the DRC and Potential Areas for Cooperation

REF: STATE 10152; 09 KINSHASA 1112; 09 KINSHASA 520; 08 KINSHASA 918
08 KINSHASA 426; 09 KINSHASA 399

¶1. (SBU) Summary: Chinese engagement in the Democratic Republic of Congo (DRC) is strong and growing. China's highly visible presence is largely focused on extractive industries, infrastructure and construction projects, including those financed through multilateral development banks (such as the World Bank), bilateral assistance programs, and private investments. The multi-billion minerals for infrastructure agreement concluded by the governments of the DRC (GDRC) and China in early 2008 (Refs B-E) serves as the largest example of Chinese engagement in the DRC. There are also an increasing number of Chinese merchants and, prior to the collapse of minerals prices in late 2008, small-scale investment in the mining sector. Two examples of China's decade-old relationship with the DRC (Ref E) include the Chinese-constructed Parliament building and a major sports stadium, both of which are still currently in use. A key area for potential US-Chinese cooperation in the DRC is the environment sector. End Summary.

¶2. (SBU) The most prominent example of Chinese engagement in the DRC is the Sino-Congolese Cooperation Agreement (SCCA), signed in April 2008. The original agreement totaled \$9.2 billion, composed of a \$3.2 billion mining project and \$6 billion in infrastructure projects to be implemented in two phases. The agreement was amended in late 2009 in response to donor concerns over the agreement's compatibility with debt sustainability: in addition to the removal of the agreement's sovereign guarantees, the amended agreement removed the second phase of infrastructure projects. Thus, the infrastructure portion of the agreement now totals \$3 billion, to be implemented between 2009 and 2014. The agreement creates a joint venture called SICOMINES, comprised of the DRC state-owned mining company (GECAMINES) and a consortium of Chinese companies. In addition to the mining and infrastructure projects, the agreement includes a \$250 million signing bonus, which is being provided to the GDRC treasury in several tranches. Details on the SCCA, including the mining concessions under the agreement and specifics related to the infrastructure projects, have not been made public. China's Ambassador regularly highlights the SCCA as an example of China's alternative model for development assistance (Refs B-E).

¶3. (U) A number of additional infrastructure and construction projects are also currently being planned or implemented by the Chinese. Because many projects in the DRC are not awarded through international tenders, combined with the large number of projects,

it is often difficult to know the source of financing for specific projects. The Chinese implement projects through formal bilateral assistance programs, awards from multilateral development banks, and through private (or quasi private) investment. Chinese companies had also been active in the mining sector, principally in small-scale operations in the DRC's copper sector in Katanga province. As noted in Ref F, many of these private operators left the DRC after the collapse of international minerals prices due to the global economic crisis. Chinese merchants, often operating in violation of DRC laws that restrict some small-scale commercial activities for Congolese businesses, are also on the rise. Finally, there have been press reports about Chinese in the agricultural sector, including palm oil.

¶4. (SBU) Key potential areas for U.S.- Chinese cooperation in the DRC are the environment and clean energy sectors. The USG, through the efforts of USAID's Central African Program for the Environment (CARPE), the Office of Environment and Science (OES) and Embassy Beijing, has already initiated discussions with the Chinese government about a joint initiative to support fuel wood development to combat deforestation in eastern DRC. A workshop jointly sponsored by the DRC, US and Chinese governments on alternative energy and fuel wood development in the DRC had

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tentatively been scheduled for October 2009, but was postponed due to administrative and scheduling issues. The DRC government has expressed strong interest in fuel wood development and improved stoves as a principal strategy to prevent further deforestation. Post strongly supports working cooperatively with the Chinese to enhance GDRC efforts in this area.

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